



Changing the Rules on Internet Sales Tax

Forcing Amazon and others to collect taxes

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By Bob Hansen

It's a fight with an Internet giant over taxes. [California](#) wants Amazon and other online businesses to start collecting state sales taxes.

"The economics are clear," said San Diego State University Tax professor [Steve Gill](#). "There is no doubt in my mind that people buy on the Internet because they do not have to pay sales tax."



That can hurt local merchants and keeps millions of dollars from going to [Sacramento](#). Estimates range from \$150 million to \$300 million of sales tax that are never collected.

David Rivera with George's Camera says that means an unfair advantage over his store and other local merchants.

"They have a significant advantage and they have utilized that advantage for the last 16 years," said Rivera.

The North Park camera store must collect 8.75 percent sales tax on every sale, something Amazon and other online merchants don't have to do.

But forcing Internet companies to collect that tax won't be easy. New York and other states that have passed a similar law are fighting it in court.

Steve Gill says Federal law exempts e-commerce companies without an actual brick and mortar location in a state from collecting local taxes. But he says that won't stop states from trying.

"There is a lot of money lost by failing to collect sales tax on all purchases made by California residents," said Gill.

[Michelle Steel](#) with the [California State Board of Equalization](#) does not support a so-called 'Amazon tax'.

"We need serious solutions to California's real problems, not a new and illegal taxing scheme," said Steel.

The Equalization Vice Chair says the state needs to, "educate Californians about their tax responsibilities, not punish Internet companies and their advertising affiliates with a job-killing and unconstitutional laws."

Amazon has threatened to stop doing business with about 10,000 California companies if the state starts making online companies collect a sales tax.

Right now state law requires residents to pay a "use tax" similar to a sales tax for out-of-state sales. It's estimated that only one or two percent of Californians actually pay that tax.